



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
HICKMAN COUNTY SHERIFF**

Calendar Year 1998

**EDWARD B. HATCHETT, JR.
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Edward B. Hatchett, Jr.
Auditor of Public Accounts

To the People of Kentucky
Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Sarah Jane Schaaf, Secretary, Revenue Cabinet
Honorable Greg Pruitt, County Judge/Executive
Honorable J. W. Moran, Hickman County Sheriff
Members of the Hickman County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the Sheriff of Hickman County, Kentucky, for the year ended December 31, 1998. This financial statement is the responsibility of the Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff is required to prepare the financial statement on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles. This cash basis system does not require the maintenance of a general fixed asset group or general long-term debt group of accounts. Accordingly, the accompanying financial statement is not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the Sheriff for the year ended December 31, 1998, in conformity with the basis of accounting described above.

To the People of Kentucky
Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Sarah Jane Schaaf, Secretary, Revenue Cabinet
Honorable Greg Pruitt, County Judge/Executive
Honorable J. W. Moran, Hickman County Sheriff
Members of the Hickman County Fiscal Court

Based on the results of our audit, we have presented a schedule of Comment and Recommendation, included herein, which discusses the following area of noncompliance:

- The Sheriff Should Have A Written Agreement To Protect Deposits

In accordance with Government Auditing Standards, we have also issued a report dated May 17, 1999, on our consideration of the Sheriff's compliance with certain laws and regulations and internal control over financial reporting.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
May 17, 1999

HICKMAN COUNTY
J. W. MORAN, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

Calendar Year 1998

<u>Receipts</u>			
Federal Grants		\$	13,065
State Grants			2,933
State Fees For Services:			
Finance and Administration Cabinet			6,486
Circuit Court Clerk:			
Sheriff Security Service	\$	4,900	
Fines/Fees Collected		<u>1,430</u>	6,330
Fiscal Court			28,793
County Clerk - Delinquent Taxes			754
Commission On Taxes Collected			44,380
Fees Collected For Services:			
Auto Inspections	\$	1,930	
Accident /Police Reports		68	
Sheriff's Advertising Fee		780	
Serving Papers		3,670	
Transporting Mental Patients		1,205	
CCDW Permits		<u>240</u>	7,893
Other:			
Miscellaneous			110
Interest Earned			833
Borrowed Money:			
State Advancement	\$	15,758	
Personal Loan		<u>2,463</u>	<u>18,221</u>
Gross Receipts (Carried Forward)		\$	129,798

HICKMAN COUNTY
J. W. MORAN, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
Calendar Year 1998
(Continued)

Gross Receipts (Brought Forward) \$ 129,798

Disbursements

Operating Disbursements:

Personnel Services-

Deputies Gross Salaries	\$ 27,074
Part-Time Gross Salaries	1,228
COPS Gross Salaries	12,718

Employee Benefits-

Employer's Share Social Security	1,153
Employer's Share Retirement	673

Contracted Services-

Advertising	659
Vehicle Equipment	1,161

Supplies and Materials-

Office Materials and Supplies	514
Uniforms	1,140
Radio Expense	478

Auto Expense-

Mileage	13,281
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Other Charges-

Postage	1,198
Telephone	3,431
CCWD Permits	160
Bond	500
Miscellaneous	122

Debt Service:

State Advancement	15,758	
Personal Loan Repaid	<u>2,463</u>	\$ 83,711

Less: Unused Portion of COPS Grant	<u>3,969</u>
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Total Disbursements	<u>79,742</u>
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Net Receipts	\$ 42,118
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Less: Statutory Maximum	<u>48,726</u>
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Balance Due at Completion of Audit	<u><u>\$ 0</u></u>
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The accompanying notes are an integral part of the financial statement.

HICKMAN COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 1998

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a cash basis of accounting pursuant to KRS 68.210 as recommended by the State Local Finance Officer. Revenues and related assets are generally recognized when received rather than when earned. Certain expenses are recognized when paid rather than when a liability is incurred, including capital asset purchases. Certain other expenses are recognized when a revenue and the related asset can be associated with a corresponding liability due another governmental entity.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.65 percent.

HICKMAN COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 1998
(Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The Sheriff maintains deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to law, the depository institution should pledge sufficient securities as collateral which, together with FDIC insurance, equals or exceeds the amount on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge of securities should be evidenced by an agreement that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. This agreement, signed by both parties, must be sufficient to create an enforceable and perfected security interest in the collateral under Kentucky law. The depository institution has made such a pledge, and the depository institution's board of directors or loan committee approved the pledge. However, the depository institution did not have a written agreement with the Sheriff.

Note 4. Drug Fund

During 1998, the Sheriff maintained a Drug Fund for the purpose of drug eradication and drug education. The balance at January 1, 1998, was \$809. Receipts of \$4,436 were deposited into the drug account and \$1,026 was disbursed from the drug account during calendar year 1998. The balance at December 31, 1998, was \$4,219.

Note 5. Grants

In 1995, the Sheriff was awarded a grant under the Community Oriented Policing Service (COPS) Universal Hiring Award from the Department of Justice in the amount of \$44,462 to be expended over three years. During the calendar year 1998, the Sheriff received funds totaling \$4,940 and expended \$4,940 during the same period.

In 1997, the Sheriff was awarded a supplemental grant under the Community Oriented Policing Service (COPS) Universal Hiring Award from the Department of Justice in the amount of \$67,851 to be expended over three years for a part time deputy. During calendar year 1998, the Sheriff received funds totaling \$7,384 and expended \$7,384 during the same period.

In 1998, the Sheriff was awarded a supplemental grant under the Community Oriented Policing Service (COPS) Universal Hiring Award from the Department of Justice in the amount of \$8,892. This grant was awarded to counties who retained personnel hired through the COPS grants. During 1998, \$741 was received and subsequently disbursed to the Hickman County Treasurer.

HICKMAN COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 1998
(Continued)

Note 5 Grants (Continued)

During 1998, the Sheriff was awarded a Kentucky Law Enforcement Foundation Program Fund Grant from the Commonwealth of Kentucky. The Sheriff received and disbursed \$2,933 during 1998 to supplement salaries.

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COMMENT AND RECOMMENDATION

HICKMAN COUNTY
J. W. MORAN, SHERIFF
COMMENT AND RECOMMENDATION

Calendar Year 1998

STATE LAWS AND REGULATIONS:

The Sheriff Should Have A Written Agreement To Protect Deposits

The Sheriff maintained deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). The Sheriff had a bank balance of \$522,988; FDIC insurance of \$100,000; and securities pledged of \$600,000 as of November 3, 1998. Even though the Sheriff obtained pledged securities of \$600,000, the pledge was not evidenced by a written agreement. We recommend the Sheriff enter into a written agreement with the depository institution. This agreement, signed by both parties, must be sufficient to create an enforceable and perfected security interest in the collateral under Kentucky law. According to federal law, 12 U.S.C.A. § 1823(e), this agreement should be (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Management's Response:

No response.

PRIOR YEAR:

There were no prior year comments.

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Honorable Greg Pruitt, County Judge/Executive
Honorable J. W. Moran, Hickman County Sheriff
Members of the Hickman County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the Hickman County Sheriff as of December 31, 1998, and have issued our report thereon dated May 17, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Hickman County Sheriff's financial statement as of December 31, 1998, is free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Hickman County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Honorable Greg Pruitt, County Judge/Executive
Honorable J. W. Moran, Hickman County Sheriff
Members of the Hickman County Fiscal Court
Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended for the information of management. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
May 17, 1999

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